

25X1A2g

SUBJECT: Requirement for [REDACTED]

BACKGROUND

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Source, [REDACTED] seems most likely to be able to elaborate further on some of the subjects discussed in a number of the reports already circulated. Of particular interest is information relating to prices and pricing policies in East German industry, sources of funds for research and development and for production, and relationships of industry with the military establishment. Accordingly, the following questions are submitted.

QUESTIONS

A. Regarding the period 1946-1949 while source was working for the Soviet military or provisional government of Saxony--and any relevant information for subsequent time periods:

1. Describe relationships with Soviet authorities. To what extent was planning and production directed toward satisfying Soviet requirements? How were these requirements imposed on East German industry?
2. What facilities were taken by the Soviet authorities? What products were taken by the Soviet authorities and in what quantities, or proportions?
3. Were East German suppliers reimbursed for goods supplied to Soviet authorities? How? Directly by Soviet authorities? Or, by East German authorities? Were prices of products taken by Soviet authorities different from prices of the same goods in the domestic market? What was the basis for the difference if any?
4. Should a distinction be made between output taken for military purposes to maintain Soviet occupation forces and that output sent to the USSR in more or less commercial trade channels? Were there differences in pricing procedures?

B. Regarding repair programs for military aircraft of the East German Air Force. It is apparent that the schedule (EG 2025) reflects contract type repairs to be performed by an airframe plant and an engine plant. It seems that, in general, this service is to decline through 1965.

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1. Are the repairs listed in the schedule of a standard or periodic type? If so, describe the period and nature of each type of repair. What is the cost of each type of repair?

2. How is the industry reimbursed for the cost of the repairs? Does it bill the East German Air Force directly? Does the air force pay for such services out of its defense budget appropriation?

3. Are these types of repairs performed in other civilian plants? Are these types of repairs generally performed within the air forces in their own facilities, and is only the overflow performed in civilian factories? or, is it the general practice for certain types of repairs to be performed by the aircraft industry?

C. Regarding Research and Development:

1. What is the source of funds for research and development in the East German aircraft industry? Are they included in a specific category in the national budget? If so, under what category? Are there non-budgetary funds available for research and development?

2. If research and development involves a military application does the situation differ from one involving a purely civilian type application? Does the military support the project financially? If so, does this support come from budget funds allocated for defense? Does the military establishment bear the full cost of a military type development?

3. What part of the R & D program outlined for the aircraft industry can be considered to have a military application?

4. What is the pricing policy in general for newly developed products? Are the development costs covered in the price at which products are sold? Or, are development costs written off? Does the practice vary for different products? As the output of a product increases the cost is likely to decrease correspondingly. Is this decrease in cost reflected in prices charged by the producing industry? How is this decrease in cost translated into price?

5. Ref. Para. 23 of HQ 2020. How much did the Germans pay for the stripped IL-23?

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